

0850 California State Lottery Commission

In 1984, Proposition 37 amended the California Constitution to authorize the establishment of a statewide lottery. As an initiative statute, the California State Lottery Act (Act) of 1984 created the California State Lottery Commission and gave it broad powers to oversee the operations of a statewide lottery. The purpose of the Act was to provide supplemental monies to benefit public education. The Lottery is overseen by a five-person Commission appointed by the Governor and confirmed by the State Senate.

The Act initially required that 50 percent of total annual revenues be returned to the public in the form of prizes and at least 34 percent of total revenues be allocated to the benefit of public education. No more than 16 percent of total revenues were to be used for administrative costs.

In 2010, the Act was changed to allow the Lottery flexibility to pay out more money in prizes and reduce the administrative cost limit to 13 percent of total revenues. Along with that flexibility, the new law requires the Lottery to meet minimum levels of contribution to public education. Revenues to education are placed in a special fund, known as the California State Lottery Education Fund, which holds revenues until they are allocated on a per capita basis, using prior year certified Average Daily Attendance data, to the following categories: K-12 education, Community Colleges, the California State University, the University of California, and other educational entities, including the California Schools for the Deaf and Blind.

In the 30 years since sales began in October 1985 through June 30, 2015, the California State Lottery has raised approximately \$29 billion for public education, including \$1.39 billion in FY 2014-15.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2015-16 and 2016-17 cannot be made with certainty.

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code, Title 2, Division 1, Chapter 12.5 (Sections 8880-8880.72).

0850 California State Lottery Commission - Continued**Statement of Operations**

| | 2014-15* | 2015-16* | 2016-17* |
|---|--------------------|--------------------|--------------------|
| Lottery sales | \$5,524,851 | \$6,000,000 | \$6,000,000 |
| Less prizes | <u>3,501,746</u> | <u>3,830,848</u> | <u>3,830,848</u> |
| Sales after prizes | 2,023,105 | 2,169,152 | 2,169,152 |
| Less Game Costs: | | | |
| Retailer costs | 380,345 | 422,533 | 422,533 |
| Draw game costs | 68,882 | 85,515 | 85,515 |
| Instant ticket game costs | <u>29,990</u> | <u>36,922</u> | <u>36,922</u> |
| Total, Game Costs | \$479,217 | \$544,970 | \$544,970 |
| Resources before operating expenses | \$1,543,888 | \$1,624,182 | \$1,624,182 |
| Operating Expenses: | | | |
| Salaries, wages and benefits | 70,654 | 82,165 | 82,165 |
| Advertising | 62,274 | 72,851 | 72,851 |
| Promotion, public relations and point-of-sale | 10,664 | 15,103 | 15,103 |
| Other professional services | 11,843 | 18,873 | 18,873 |
| Depreciation and amortization | 8,950 | 14,062 | 14,062 |
| Other general and administrative expenses | <u>16,435</u> | <u>31,976</u> | <u>31,976</u> |
| Total, Operating Expenses | \$180,820 | \$235,030 | \$235,030 |
| Income and Proceeds to Education | 1,363,068 | 1,389,152 | 1,389,152 |
| Interest Income | <u>1,301</u> | <u>1,250</u> | <u>1,250</u> |
| Net Resources | \$1,364,369 | \$1,390,402 | \$1,390,402 |
| Unclaimed Prizes | 27,177 | 35,000 | 35,000 |
| Administrative Reserve | \$- | \$9,827 | \$9,827 |
| TOTAL RESOURCES DUE TO EDUCATION FUND | \$1,391,546 | \$1,435,229 | \$1,435,229 |

* Dollars in thousands, except in Salary Range. Numbers may not add or match to other statements due to rounding of budget details.

0850 California State Lottery Commission - Continued**Distribution of State Lottery Education Fund Revenues**

| | 2014-15* | 2015-16* | 2016-17* |
|--|--------------------|--------------------|--------------------|
| Department of Education (K-12) | \$1,113,623 | \$1,148,582 | \$1,148,582 |
| California Community Colleges | 196,267 | 202,428 | 202,428 |
| California State University | 49,325 | 50,873 | 50,873 |
| University of California | 31,779 | 32,776 | 32,776 |
| Other Public Colleges and Universities | 121 | 125 | 125 |
| Miscellaneous Educational Institutions | 431 | 445 | 445 |
| TOTALS | \$1,391,546 | \$1,435,229 | \$1,435,229 |

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